

# Flash Report for the First Quarter of 2008

May 8, 2008

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## 1. Consolidated Business Results for the First Quarter (January 1 to March 31, 2008)

(Amounts under one million yen are omitted; YoY % change)

### (1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first quarter	¥29,222	22.9%	¥1,026	(61.7)%	¥877	(65.4)%
Previous first quarter	23,784	15.1	2,681	(28.7)	2,535	(29.5)
Previous full term (Jan. 1 to Dec. 31, 2007)	92,708		4,467		4,128	

	Net income (¥ million)		Earnings per share (¥)
Reporting first quarter	¥729	(57.0)%	¥9.57
Previous first quarter	1,697	(19.3)	22.29
Previous full term	2,109		27.70

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first quarter	¥114,456	¥49,483	38.6%	¥580.45
Previous first quarter	113,582	50,457	40.2	599.28
Previous full term	112,324	50,096	39.8	586.47

### (3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at term end (¥ million)
Reporting first quarter	¥2,812	¥(4,892)	¥3,061	¥2,897
Previous first quarter	2,174	(5,967)	1,113	5,341
Previous full term	11,680	(14,023)	(3,762)	1,916

## 2. Consolidated Business Forecasts for Current Term (January 1 to December 31, 2008)

(Amounts under one million yen are omitted; YoY % change)

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
First-half period	¥57,200	24.5%	¥1,100	(76.6)%	¥880	(80.7)%	¥490	(81.1)%	¥6.43
Full term	114,290	23.3	3,340	(25.2)	2,750	(33.4)	1,290	(38.9)	16.94

## 3. Others

- (1) Changes in scope of consolidation: None
- (2) Simplified accounting method: Applied
- (3) Changes in accounting methods since the latest consolidated fiscal year: None

Note: For further details, please refer to "4. Other information" on P3.

**(For Reference)**

**1. Non-consolidated Business Performance** (January 1 to March 31, 2008)

(Amounts under one million yen are omitted; YoY % change)

(1) Operating Results

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)	
Reporting first quarter	¥24,742	24.3%	¥1,225	(51.4)%	¥1,270	(50.7)%
Previous first quarter	19,912	18.8	2,522	4.2	2,576	4.0
Previous full term (Jan. 1 to Dec. 31, 2007)	78,186		842		965	

	Net income (¥ million)		Earnings per share (¥)
Reporting first quarter	¥859	(49.2)%	¥11.29
Previous first quarter	1,691	5.4	22.21
Previous full term	547		7.19

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Owners' equity per share (¥)
Reporting first quarter	¥91,701	¥32,824	35.8%	¥431.06
Previous first quarter	90,164	35,656	39.5	468.24
Previous full term	87,373	33,142	37.9	435.23

**2. Non-consolidated Business Forecast for Current Term** (January 1 to December 31, 2008)

(Amounts under one million yen are omitted; YoY % change)

	Net sales (¥ million)		Operating income (¥ million)		Ordinary income (¥ million)		Net income (¥ million)		Earnings per share (¥)
First-half period	¥49,100	28.4%	¥(100)	—%	¥(70)	—%	¥(50)	—%	¥(0.65)
Full term	98,770	26.3	270	(68.0)	120	(87.6)	80	(85.4)	1.05

Note: In consideration of our recent business performance, we have revised our business forecasts for the current term ending December 31, 2008, which were released on February 13, 2008 simultaneously with the account settlement for the previous period ended December 31, 2007. For further details, please refer to the "Revised Forecasts of Business Performance for Fiscal 2008" issued on May 8 and "3. Business performance forecasts for the year ending December 31, 2008" on P3.

Disclaimer: These forecasts are based on information currently available to the management. Accordingly, actual financial results may substantially differ from these forecasts owing to a number of uncertain factors.

## Summary of business performance and financial position (consolidated)

### 1. Report on business performance for the first quarter of fiscal 2008

Lower-than-average temperatures caused gas sales to households in the first quarter of this year to increase year on year on a volume basis, while sales of gas for industrial use and wholesale sales also held firm. As a result, total gas sales in volume terms rose 20.1% year on year. At the same time, we raised our unit gas sales price in accordance with the current system for offsetting rises in raw material costs, and as a result, gas sales increased by 23.1% over the corresponding period of the previous year, to ¥23,481 million. Sales of Other businesses posted a year-on-year decline owing to the non-repetition of the major equipment installation project completed in the corresponding period of the previous term. In spite of this, sales of LPG and other energy services registered solid growth.

As a result of the foregoing, total sales on a consolidated basis came to ¥29,222 million for a year-on-year increase of 22.9%.

Owing to a rise in the cost of sales resulting from increases in raw material prices, operating expenses also recorded a year-on-year rise. As a result, operating income on a consolidated basis decreased by 61.7% to ¥1,026 million, while ordinary income was down by 65.4% at ¥877 million and net income declined by 57.0% to ¥729 million.

### 2. Report on changes in financial position during the first quarter

Total assets as of the end of the first quarter registered an increase of ¥2,132 million over the amount for the end of the previous term ended December 2007, at ¥114,456 million. This is attributable to an increase in the value of property, plant and equipment as a result of capital investments effected during the quarter, as well as a rise in accounts receivable. These increases more than offset a fall in unrealized gains on equity securities.

Net assets as of the end of the first quarter decreased to ¥49,483 million, due mainly to a decline in gains on valuation and translation as a result of sluggish stock markets, which more than offset an increase in retained earnings. The equity ratio stood at 38.6%.

### 3. Business performance forecasts for the year ending December 31, 2008

Thanks to a firm trend in gas sales volume, sales for the full term are forecast to post a year-on-year increase of 23.3% to ¥114,290 million. Operating income, however, is predicted to decline by 25.2% to ¥3,340 million, primarily as a result of an anticipated steep rise in the cost of sales due to higher raw material prices. Consequently, declines are also expected in ordinary income, by 33.4% to ¥2,750 million, and in net income, by 38.9% to ¥1,290 million.

### 4. Other information

- (1) No changes have been made in the scope of consolidation.
- (2) A simplified accounting method based on the statutory tax rate is used for recognition of income taxes. Other simplified methods are applied to immaterial items.
- (3) The same accounting standards have been applied to the reporting statements as applied to the previous consolidated financial statements.

## Consolidated Balance Sheets

	Thousands of yen			
	March 31, 2008	December 31, 2007	Change	March 31, 2007
<b>Assets</b>				
Noncurrent assets:				
Property, plant and equipment	¥ 79,665,439	¥ 77,591,109	¥ 2,074,329	¥ 77,085,956
Intangible assets	2,041,735	2,052,549	(10,814)	1,502,143
Investments and other assets	13,044,417	14,172,307	(1,127,890)	16,137,029
Total noncurrent assets	94,751,592	93,815,967	935,625	94,725,129
Current assets:				
Cash and bank deposits	2,931,129	1,972,582	958,546	5,381,232
Notes and accounts receivable	9,002,237	8,025,979	976,257	7,382,116
Inventories	5,435,409	4,816,891	618,517	2,666,525
Other current assets	2,141,942	3,465,406	(1,323,463)	2,946,845
Total current assets	19,510,718	18,280,860	1,229,858	18,376,721
Deferred assets	193,885	227,217	(33,331)	481,148
Total assets	¥ 114,456,196	¥ 112,324,045	¥ 2,132,151	¥ 113,582,999
<b>Liabilities</b>				
Long-term liabilities:				
Long-term debt	¥ 36,471,023	¥ 33,202,677	¥ 3,268,346	¥ 38,694,809
Accrued severance and retirement benefits	3,601,779	3,604,231	(2,452)	3,744,612
Other long-term liabilities	1,345,603	1,717,857	(372,253)	2,266,271
Total long-term liabilities	41,418,406	38,524,765	2,893,640	44,705,692
Current liabilities:				
Long-term liabilities due within one year	8,667,238	9,288,575	(621,337)	10,541,733
Accounts payable	7,602,111	7,018,122	583,988	2,440,804
Short-term debt	3,115,544	2,390,032	725,512	215,000
Other current liabilities	4,004,269	4,824,208	(819,939)	4,855,275
Total current liabilities	23,389,162	23,520,938	(131,776)	18,052,813
Allowances:				
Allowance for natural gas conversion	164,815	181,482	(16,667)	366,702
Total allowances	164,815	181,482	(16,667)	366,702
Total liabilities	64,972,384	62,227,187	2,745,196	63,125,207
<b>Net assets</b>				
Shareholders' equity:				
Common stock	6,279,147	6,279,147	—	6,279,147
Capital surplus	4,098,961	4,098,961	—	4,098,961
Retained earnings	30,127,602	29,708,059	419,543	29,600,411
Treasury stock	(23,498)	(23,151)	(346)	(22,574)
Total shareholders' equity	40,482,213	40,063,016	419,196	39,955,945
Gains and losses on valuation or translation:				
Unrealized gains on available-for-sale securities	3,673,170	4,374,020	(700,850)	5,421,729
Gains and losses on deferred hedge accounting	45,309	222,284	(176,974)	257,308
Total gains and losses on valuation or translation	3,718,480	4,596,305	(877,824)	5,679,037
Minority interest	5,283,119	5,437,535	(154,416)	4,822,807
Total net assets	49,483,812	50,096,857	(613,045)	50,457,791
Total liabilities and net assets	¥ 114,456,196	¥ 112,324,045	¥ 2,132,151	¥ 113,582,999

Note: Amounts under one thousand yen are omitted.

## Consolidated Statements of Income

	Thousands of yen			
	First quarter ended March 31, 2008	First quarter ended March 31, 2007	Change	Previous year ended December 31, 2007
Net sales	¥ 29,222,888	¥ 23,784,314	¥ 5,438,573	¥ 92,708,043
Cost of sales	22,352,591	15,426,898	6,925,693	65,129,781
Gross profit	6,870,296	8,357,416	(1,487,119)	27,578,261
Selling, general and administrative expenses	5,844,285	5,676,086	168,198	23,110,965
Operating income	1,026,011	2,681,329	(1,655,318)	4,467,296
Non-operating income	59,835	76,545	(16,709)	543,507
Non-operating expenses	208,483	222,401	(13,917)	882,630
Ordinary income	877,362	2,535,473	(1,658,110)	4,128,173
Extraordinary income	61,781	101,601	(39,820)	320,703
Extraordinary expenses	—	—	—	143,974
Income before income taxes	939,144	2,637,074	(1,697,930)	4,304,902
Income taxes*	354,409	980,241	(625,831)	1,610,280
Minority interest in net income	(144,559)	(40,841)	(103,718)	584,704
Net income	¥ 729,294	¥ 1,697,674	¥ (968,380)	¥ 2,109,917

*Notes:*

1. Amounts under one thousand yen are omitted.

2. \*Income taxes include adjustment for difference of tax allocation between financial accounting and tax accounting.

## Consolidated Statements of Cash Flows

	Thousands of yen		
	First quarter ended March 31, 2008	First quarter ended March 31, 2007	Previous year ended December 31, 2007
Cash flows from operating activities:			
Income before income taxes	¥ 939,144	¥ 2,637,074	¥ 4,304,902
Depreciation	2,620,556	2,549,746	10,680,473
Amortization of deferred assets	33,331	84,643	338,573
Loss on disposal of property, plant and equipment	13,178	71,489	244,225
Increase (decrease) in accrued severance and retirement benefits	(2,452)	88,428	(51,952)
Decrease (increase) in notes and accounts receivable	(993,932)	(553,229)	(1,173,553)
Decrease (increase) in inventories	(617,918)	1,186,140	(960,973)
Increase (decrease) in notes and accounts payable	530,206	(2,262,805)	2,317,144
Increase (decrease) in consumption taxes payable	67,571	274,626	63,152
Income taxes paid	(569,097)	(1,642,229)	(3,023,719)
Other	791,822	(259,550)	(1,057,607)
Net cash provided by (used in) operating activities	2,812,411	2,174,334	11,680,665
Cash flows from investing activities:			
Payments for purchase of noncurrent assets	(5,470,365)	(4,937,351)	(14,094,624)
Proceeds from sale of noncurrent assets	3,507	19,090	56,934
Decrease (increase) in loans receivable – net	506,979	(1,148,580)	(162,243)
Other	67,502	99,595	176,686
Net cash provided by (used in) investing activities	(4,892,376)	(5,967,246)	(14,023,247)
Cash flows from financing activities:			
Increase (decrease) in short-term debt – net	725,512	(75,000)	2,100,032
Increase (decrease) in long-term debt – net	2,647,009	1,498,736	(5,246,554)
Cash dividends paid	(310,676)	(309,914)	(615,073)
Other	(346)	(229)	(806)
Net cash provided by (used in) financing activities	3,061,498	1,113,592	(3,762,401)
Net increase (decrease) in cash and cash equivalents	981,533	(2,679,320)	(6,104,983)
Cash and cash equivalents at beginning of term	1,916,108	8,021,091	8,021,091
Cash and cash equivalents at end of term	¥ 2,897,642	¥ 5,341,771	¥ 1,916,108

Note: Amounts under one thousand yen are omitted.

## Segment Information

- (1) Segment information by business category  
(Amounts under one thousand yen are omitted.)

First quarter ended March 31, 2008						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	23,481,042	3,888,379	3,660,247	31,029,668	(1,806,780)	29,222,888
Costs and expenses	21,906,168	3,710,318	3,646,500	29,262,988	(1,066,110)	28,196,877
Operating income	1,574,873	178,060	13,746	1,766,680	(740,669)	1,026,011

First quarter ended March 31, 2007						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	19,079,101	3,090,781	4,383,555	26,553,437	(2,769,123)	23,784,314
Costs and expenses	15,939,640	2,952,999	4,315,520	23,208,160	(2,105,174)	21,102,985
Operating income	3,139,460	137,781	68,035	3,345,277	(663,948)	2,681,329

Previous year ended December 31, 2007						Thousands of yen
	Gas	LPG and other energy services	Other businesses	Total	Elimination or corporate	Consolidated
Net sales	74,494,897	11,611,128	17,309,856	103,415,883	(10,707,839)	92,708,043
Costs and expenses	67,681,563	11,435,653	17,121,497	96,238,715	(7,997,967)	88,240,747
Operating income	6,813,333	175,474	188,359	7,177,168	(2,709,872)	4,467,296

- (2) Segment information by location  
Not applicable due to absence of overseas consolidated subsidiaries or branches.

- (3) Overseas sales  
Not applicable